

31 May 2006

## Issuing Federal Payments Using the U.S. Debit Card Program

**Presented to National Guard Bureau**

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# Agenda

U.S. Debit Card Overview

Case Studies: Debit Cards in the Fed

Questions and Answers

Putting It All in Perspective

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## U.S. Debit Card Overview



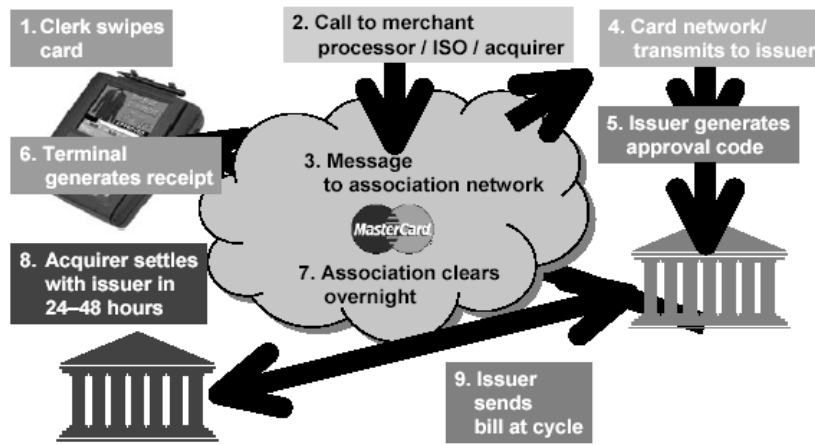
## What is a debit card?

- Offline “signature” debit
  - Runs on major card association networks, dual message transaction clears overnight
- Online “PIN” debit
  - Uses the electronic funds transfer (EFT) switches as its transaction backbone through the ATM network, adds a level of security
- Magnetic stripe
- U.S. Debit Cards are pre-funded and not attached to a Demand Deposit Account (DDA)

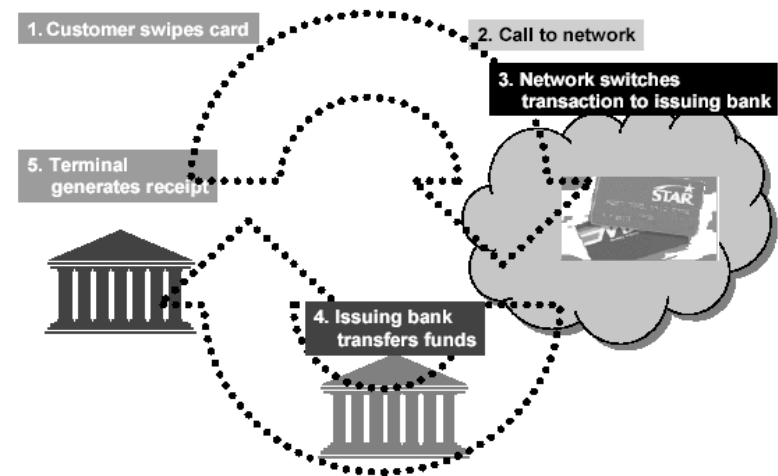
Source: The US Debit Revolution: How It Happened and What It Means, TowerGroup, published June 2002

# How debit cards work

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Typical **Signature-based** Debit Card Transaction Flow

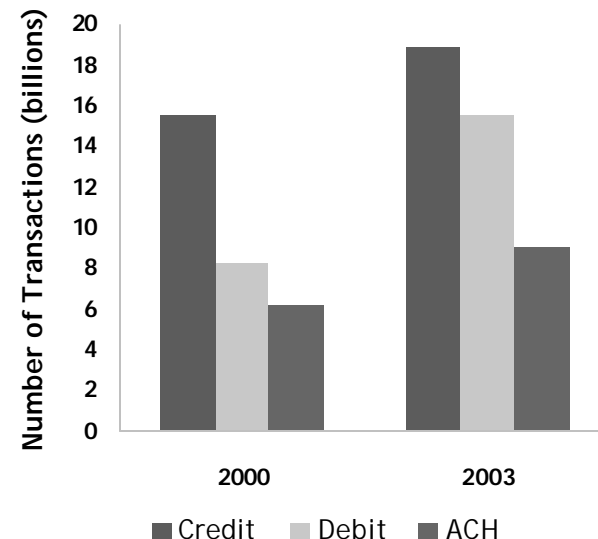


Typical **PIN-based** Debit Card Transaction Flow

Source: The US Debit Revolution: What It Means, TowerGroup, published May 2002

## Why disburse payments via a debit card?

- Best alternative for “cash based” recipients without bank accounts
- No significant information technology resources or upfront costs required
- Operational efficiencies and cost savings realized immediately
- It’s popular! Debit card usage has grown at an annual rate of 23.5 percent.



Source: The 2004 Federal Reserve Payments Study — Analysis of Noncash Payments Trends in the United States: 2000-2003, published December 2004

## Background of the U.S. Debit Card

- Started in 1998 as a U.S. Treasury pilot and launched as a full program in 2005
- JPMorgan Chase provides the following services: cards, training, operations, and customer service
- 24 deployments by 20 agencies
- Delivers recurring or nonrecurring payments to individuals
- Versatile, widely accepted financial product (specific or general use)
- Not a credit card





# Key features of the U.S. Debit Card

- Web-based platform that enables agencies to:
  - Assign various roles
  - Activate and deactivate cards
  - Fund cards
  - Track card usage (optional)
  - Access online reporting
- Immediate in person or mail distribution
- Cards can be activated on-the-spot or by batch file
- 24 x 7 surcharge-free access to funds through Chase and AllPoint ATM networks
- Access to customer service online or via toll free number

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[Open Cardholder Account](#)

**Card**

## Open Cardholder Account



Account Information: [submit account](#)

Client Name: PENNZOIL Client Account #9000000001729 22  
 Client Account Name: PENNZOIL - EAST Account Type: PAYROLL

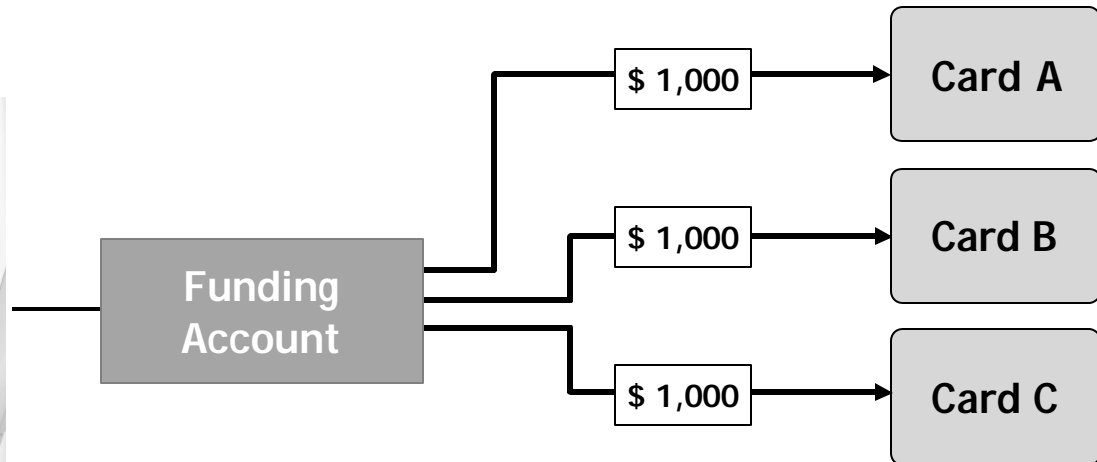
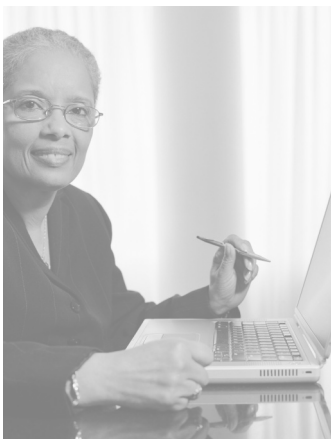
\*Last Name:  \*First Name:  MI:   
 Title:  \*SSN:   
 \*DOB: Jan 1  \*Mother's Maiden Name:   
 Employee #:  \*Cost Center:   
 \*Day Phone:  Evening Phone:   
 Fax:  Email:   
 \*Statement Type: Mail-Standard \*Allowance Amount:   
 \*Card Type: ATM \*Withdrawal Limit: 1000.0  
 Temp Card Life Span: 2 Months Max Active Cards: 2  
 Transportation Amount:  Parking Amount:

\*Account Address:  
 Business Address: PRIMARY ADDRESS

# Funding the U.S. Debit Card

## Simplified Card Funding

Card can be funded via ACH before or after it is physically issued to the cardholder



### Program Administration

- Online access to system

## What are agencies saying?

- "I can maintain accounts and assign user-based access online."
- "I can fund cards worldwide from one central location."
- "I was able to eliminate imprest balances and avoid having to keep 'cash on hand'."
- "I like the reduced check fraud and increased security due to the PIN and audit trail."
- "It gave me more control and bolstered my agency's mission."
- "I was able to reduce paper."
- "The implementation and customer service staff is best-in-class."

## What are cardholders saying?

- "I don't need to carry cash anymore."
- "It provides convenient access to funds."
- "It's easy to use at ATMs and MasterCard locations."
- "It saves me time by avoiding check cashing lines."
- "It's more secure than carrying cash."
- "The 24x7 customer service is great and includes things like emergency services on lost and stolen cards, help with replacement cards, and an ATM locator."

## How has the card been used?



- Department of Agriculture
  - Foreign Agriculture Service
  - Forest Service
  - National Agricultural Statistics Service
- Department of Commerce, U.S. Census Bureau
- Department of Defense, U.S. Southern Command
- Department of Energy, Bonneville Power
- Department of Health & Human Services, National Institute of Health
- Department of Homeland Security
  - Citizenship and Immigration Services
  - Immigration and Customs Enforcement
  - Transportation Security Administration
- Department of Interior, Office of International Affairs
- Department of Justice, U.S. Marshals Service
- Federal Trade Commission
- International Boundary and Water Commission
- Peace Corps
- Holocaust Museum

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## Case Studies: Debit Cards in the Fed

# U.S. Department of Homeland Security Transportation Security Administration

## ■ Challenge

- Provide TSA airport staff with funds in the event of an emergency without relying on imprest funds

## ■ Solution

- Utilized Treasury's U.S. Debit Card program

## ■ Result

- Airports were provided with debit cards in advance of hurricanes and were able to purchase emergency supplies and continue operations

## ■ Future use

- Expand program to all hub airports
- Utilize for covert operations
- Utilize debit cards as means of issuing travel advances

## U.S. Peace Corps

### ■ Challenge

- Evacuate 133 volunteers to nearby Ghana. Payments totaled approximately \$210,000

### ■ Solution

- On Thursday evening, October 3, the Peace Corps contacted the U.S. Treasury. Cards were deployed to Ghana in just 6 days instead of the normal four week implementation

### ■ Result

- The volunteers received their cards on Wednesday, October 9 and began using them immediately



## U.S. Department of Commerce Census Bureau

### ■ Challenge

- Distribute payments to individuals as an incentive for participation in various Census surveys
- Improve field representative efficiency
- Provide important cash management controls

### ■ Solution

- Utilized Treasury's U.S. Debit Card program

### ■ Result

- Improved survey response rates

## U.S. Department of Energy Bonneville Power

### ■ Challenge

- Pay students involved in their college co-op program
- Reduce administrative time spent on the payment aspect of the program

### ■ Solution

- Utilized Treasury's U.S. Debit Card program

### ■ Result

- Payments to students are now made efficiently and quickly

## Putting it all in Perspective



## Why is it important?

- Financial tools are evolving
  - Checks and cash are being displaced by debit cards
  - Disaster relief must evolve also
- A standard Treasury offering
  - No longer a pilot
  - Strategic initiative to increase EFT
  - Expanding agency financial tools and options
  - Government cost savings
- Promotes electronic government
  - Supports President's Management Agenda

## Questions and answers

